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CONSOLIDATED SOAH DOCKET NO. 473-19-1265

CONSOLIDATED DOCKET NO. 48785

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PUBLIC BEFORE THE
FILING CLERK

JOINT REPORT AND APPLICATION §
OF ONCOR ELECTRIC DELIVERY §
COMPANY LLC, AEP TEXAS INC., AND §
LCRA TRANSMISSION SERVICES §
CORPORATION TO AMEND THEIR §
CERTIFICATES OF CONVENIENCE §
AND NECESSITY FOR 345-KV §
TRANSMISSION LINES IN PECOS, §
REEVES, AND WARD COUNTIES, §
TEXAS (SAND LAKE TO SOLSTICE §
AND BAKERSFIELD TO SOLSTICE) §

STATE OFFICE OF

ADMINISTRATIVE HEARINGS

BAKERSFIELD TO SOLSTICE PORTION
(ROUTING PHASE)

DIRECT TESTIMONY OF ALBERT MENDOZA
(REDACTED)

ON BEHALF OF
OCCIDENTAL PERMIAN LTD.,
OXY DELAWARE BASIN, LLC,
OXY USA INC, OXY USA WTP LP,
HOUNDSTOOTH RESOURCES, LLC,
AND OCCIDENTAL WEST TEXAS
OVERTHRUST, INC.

January 10, 2019

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	SUMMARY OF OXY’S POSITION	2
III.	IMPACTS OF THE PROPOSED TRANSMISSION LINE ON OXY’S OIL AND GAS OPERATIONS.....	3
IV.	POTENTIAL IMPACTS TO OXY’S HONEY BADGER PRODUCTION AREA ALONG LINKS D1 AND E1	7
V.	IMPACTS TO OXY’S Red Bull PRODUCTION AREA.....	9
VI.	SUMMARY OF OXY’S ROUTING PREFERENCES	11
VII.	CONCLUSION.....	12

EXHIBITS

Exhibit AM-1: Affected Oxy Properties in the Study Zone, by Tract Number and Link

Exhibit AM-2: Master Map of Oxy Operations and Placement of Bakersfield to Solstice
Transmission Line Project (HSPM)

1
2 **I. INTRODUCTION**

3 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

4 A. My name is Albert Mendoza. My business address is 5 Greenway Plaza, Suite 110,
Houston, Texas 77046.

5 **Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

6 A. I am Manager, Energy at Occidental Energy Ventures LLC. Occidental Energy Ventures
7 LLC (OEV), Occidental Permian Ltd., Oxy Delaware Basin, LLC, Oxy USA, Inc., Oxy
8 USA WTP LP, Houndstooth Resources, LLC, and Occidental West Texas Overthrust, Inc.
9 are wholly owned subsidiaries of Occidental Petroleum Corporation.

10 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

11 A. I am testifying on behalf of Occidental Permian Ltd., Oxy Delaware Basin, LLC, Oxy
12 USA, Inc., Oxy USA WTP LP, Houndstooth Resources, LLC, and Occidental West Texas
13 Overthrust, Inc. (collectively "Oxy").

14 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND**
15 **PROFESSIONAL QUALIFICATIONS.**

16 A. I received a Bachelor of Science in Chemical Engineering from the University of Houston
17 in 2002 and a Masters of Business Administration from the University of Houston in 2008.
18 I have been employed by Oxy for a total of 7 years in various positions, and most recently
19 for the past 5 years as Manager, Energy.

20 **Q. ARE YOU FAMILIAR WITH OXY'S OPERATIONS IN TEXAS?**

21 A. Yes.

22 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

23 A. My testimony addresses the placement of the Bakersfield to Solstice 345-kV transmission
24 line (the "Bakersfield to Solstice" line) that is proposed to be constructed and owned by
25 AEP Texas, Inc. ("AEP") and LCRA Transmission Services Corporation ("LCRA-TSC").
26 I discuss the impact that various proposed links and routes will have on Oxy's operations
27 in Texas and the overall cost of the proposed line.

1 **Q. HAVE YOU EVER SUBMITTED TESTIMONY BEFORE THE PUBLIC UTILITY**
2 **COMMISSION OF TEXAS?**

3 A. Yes, I submitted testimony in four other dockets:

- 4 • PUC Docket No. 46042 – *Application of Southwestern Public Service Company to*
5 *Amend a Certificate of Convenience and Necessity for a 345-kV Transmission Line*
6 *Within Hale, Hockley, Lubbock, Terry and Yoakum Counties (Tuco to Yoakum)*
- 7 • PUC Docket No. 47368 – *Application of Oncor Electric Delivery Company LLC to*
8 *Amend a Certificate of Convenience and Necessity for a 345/138-kV Transmission*
9 *Line in Loving, Reeves, and Ward Counties (Riverton to Sand Lake)*
- 10 • PUC Docket No. 47808 – *Joint Application of Oncor Electric Delivery Company*
11 *LLC and Brazos Electric Power Cooperative, Inc. to Amend Certificates of*
12 *Convenience and Necessity for the Cogdell to Clairemont 138-kV Transmission*
13 *Line in Kent and Scurry Counties (Cogdell to Clairemont)*
- 14 • PUC Docket No. 48095 – *Application of Oncor Electric Delivery Company, LLC*
15 *to Amend a Certificate of Convenience and Necessity for a 345-kV Transmission*
16 *Line in Crane, Ector, Loving, Reeves, Ward, and Winkler Counties (Odessa EHV -*
17 *Riverton and Moss – Riverton CCN)*

18 I am also filing separate testimony to address the placement of the Sand Lake to Solstice
19 345-kV line (the “Sand Lake to Solstice” line) that has been consolidated into this docket.

20 **II. SUMMARY OF OXY’S POSITION**

21 **Q. CAN YOU SUMMARIZE OXY’S POSITION WITH RESPECT TO THE**
22 **BAKERSFIELD TO SOLSTICE TRANSMISSION LINE?**

23 A. Oxy owns and leases property throughout the study area for oil and gas operations and
24 would be affected by all 25 of the proposed routes filed with the Application. Oxy would
25 be affected by the following 14 proposed links: B1, C1, D1, E1, F1, I, J2, N, Q, R, S1, T,
26 U, and X.

1 Oxy has determined that it can agree to AEP and LCRA-TSC's recommended route 24.¹
2 While route 24 would impact Oxy's operations along links R and X, Oxy has determined
3 that it could effectively mitigate the impact of those links on its operations, and overall,
4 route 24 would have less of an adverse impact on Oxy than other potential route options
5 filed by AEP and LCRA-TSC.

6 If the Commission decides not to approve route 24, Oxy would also be willing to agree to
7 any of routes 1-7, 10, 12-17, 19, or 23. These routes would also affect Oxy's operations,
8 but avoid the areas where a transmission line would have the most harmful impacts.

9 Oxy is willing to agree to a number of route options on property it owns or leases, and is
10 willing to work with AEP, LCRA-TSC, and the Commission to develop a route that does
11 not disproportionately harm Oxy. However, links D1, E1, and T should not be used as
12 proposed because constructing a transmission line along those links would significantly
13 impede Oxy's ongoing operations and development in two separate production areas. The
14 first production area, referred to as the Honey Badger production area, is located in the
15 southeast corner of the study area and would be severely impacted by links D1 and E1.
16 The second production area, referred to as the Red Bull production area, is located to the
17 north and east of the Solstice Switching Station and would be severely impacted by link
18 T.² Oxy strongly opposes any routes that contain links D1, E1, or T.³

19 III. IMPACTS OF THE PROPOSED TRANSMISSION 20 LINE ON OXY'S OIL AND GAS OPERATIONS

21 Q. PLEASE DESCRIBE OXY'S OPERATIONS IN THE STUDY AREA.

22 A. As shown by Exhibit AM-1, Oxy has extensive oil and gas operations in the study area and
23 is impacted by all of the proposed alternative routes. Oxy is engaged in extensive
24 development and production of gas and oil in the study area, with gas, oil, and injection

¹ Route 24 follows links A-C-D-E-F-M-R-W-X-Y.

² Link X, which is included in AEP/LCRA's suggested route 24, would also cross the southeastern end of the Red Bull production area. However, Oxy has determined that it could effectively mitigate the impact of that link on its operations.

³ This includes proposed routes 8, 9, 11, 18, 20, 21, 22, and 25.

1 wells, as well as pipelines and other infrastructure on at least 47 identified tracts. Exhibit
2 AM-1 contains a complete list of tracts that are either owned or leased by Oxy and impacted
3 by the transmission line. Exhibit AM-2 is a map that shows all of Oxy's leases in the study
4 area.

5 **Q. WHICH LINKS AND ROUTES AFFECT OXY'S INTERESTS?**

6 A. Oxy is impacted by the following 14 links: B1, C1, D1, E1, F1, I, J2, N, Q, R, S1, T, U,
7 and X. Because Oxy's operations are spread throughout the study area, Oxy will be
8 affected by any of the 25 alternative routes filed in the Application. However, some of the
9 links have more severe impacts on Oxy's operations than others. Proposed links D1, E1,
10 and T would be particularly harmful to Oxy's oil and gas operations and create a risk of
11 health and safety hazards for Oxy, AEP, and LCRA-TSC personnel. Oxy is prepared to
12 work with AEP, LCRA-TSC, and the Commission and accept the transmission line near or
13 through Oxy's operations in the study area, but Oxy is strongly opposed to any route that
14 would use links D1, E1, or T as proposed.⁴

15 **Q. PLEASE DESCRIBE THE TYPES OF OPERATIONS OXY IS CONDUCTING IN**
16 **THE STUDY AREA.**

17 A. The study area covers a region where Oxy is quickly developing its oil and gas operations.
18 Oxy is actively drilling on the leases in the study area, which involves using drilling rigs,
19 conducting pumping operations, and installing pipe casing. Oxy has extensive oil and gas
20 production, and injection wells on the leases that would be impacted by the proposed
21 alternative routes in this case. Oxy's wells are supported by extensive electric distribution
22 facilities, and are connected to storage and oil & gas pipeline transportation infrastructure
23 in the area. The start-up, continued operation, and maintenance of the entire system
24 requires the use of large equipment (including large cranes and drilling and pulling rigs)
25 that adds to the complexity of operations near or around such proposed transmission lines.
26 While Oxy has existing operations throughout the study area, Oxy is most actively working

⁴ This includes proposed routes 8, 9, 11, 18, 20, 21, 22, and 25.

1 and expanding its operations in the Honey Badger and Red Bull production areas, and
2 particularly the portions of those areas underlying links D1, E1, and T.

3 **Q. HOW WOULD A TRANSMISSION LINE INTERFERE WITH OIL RECOVERY**
4 **OPERATIONS?**

5 A. Right-of-way clearing and restrictions on what can be placed in the right-of-way impact
6 Oxy's ability to efficiently develop its leases. In addition, any Oxy facilities in close
7 proximity to the proposed line will have to be maintained and worked periodically. The
8 process for working a well involves bringing in large drilling equipment, which must be
9 moved into position at the well sites. Having transmission towers too close to the wells
10 can interfere with access, impede operations, and create safety concerns. Repairing and
11 servicing the oil and gas facilities also requires the use of heavy and often tall equipment,
12 such as cranes, which pose safety concerns if operated in close proximity to high voltage
13 transmission lines. As a general rule, Oxy would prefer that the line not be constructed
14 within 300 feet of any of Oxy's existing wells, and opposes any route that is within 150
15 feet of its existing wells, as this would create health and safety concerns for Oxy, AEP, and
16 LCRA-TSC personnel.

17 **Q. IS BUILDING A TRANSMISSION LINE DURING ACTIVE DRILLING ALSO A**
18 **PROBLEM?**

19 A. Yes. Drilling wells involves building out critical infrastructure, including electrical
20 distribution and pipeline infrastructure. In addition, moving oil and gas drilling equipment
21 in and around transmission structures and lines can create substantial health and safety
22 risks, which will require a great deal of coordination and will likely delay construction
23 activities.

24 **Q. ARE THERE OTHER ISSUES ASSOCIATED WITH THE CONSTRUCTION**
25 **PROCESS THAT WILL INTERFERE WITH OXY'S OPERATIONS?**

26 A. Yes. In Oxy's experience, utilities building new transmission lines seek to de-energize
27 nearby transmission and distribution facilities during the construction process, and often
28 during maintenance once the line has been constructed. Transmission outages or, more
29 directly, outages on the distribution facilities serving Oxy's oil and gas facilities would

1 require Oxy to stop operations during the outage and would have adverse financial impacts
2 on Oxy's operations.

3 **Q. IS OXY IN THE PROCESS OF EXPANDING ITS OPERATIONS AT ANY OF THE**
4 **LEASES THAT WOULD BE IMPACTED BY THIS TRANSMISSION LINE?**

5 A. Yes. Oxy has extensive exploration and production operations in the area and development
6 of those leases is ongoing, especially in the Honey Badger and Red Bull production areas
7 in the vicinity of links D1, E1, and T. Oxy is concerned that building a transmission line
8 through or near its properties will impede this ongoing development, which would have a
9 significant adverse economic impact.

10 **Q. PLEASE DESCRIBE THE DEVELOPMENT TIMELINE FOR OXY TO DRILL**
11 **AN OIL AND GAS WELL IN WEST TEXAS.**

12 A. Oxy's operations can expand very quickly. While the exact development timeline varies
13 from well to well, it generally takes Oxy between two and three weeks to conduct the
14 surveying activities necessary to site a potential well, and an additional one to two weeks
15 to obtain the necessary permits to drill that well. So Oxy can go from planning a well to
16 having a drilling rig on site in approximately three to five weeks.

17 **Q. IN OXY'S EXPERIENCE, HOW DOES ITS DEVELOPMENT TIMELINE**
18 **INTERACT WITH THE CONSTRUCTION AND DEVELOPMENT OF**
19 **ELECTRIC TRANSMISSION LINES?**

20 A. Often, Oxy's development activity has changed significantly between the time a utility
21 surveys a particular area during its routing study and when a CCN application is actually
22 filed. Additionally, development is ongoing during the CCN proceeding, which means
23 there may have been significant changes to a production area by the time a route is
24 approved.

25 **Q. ARE THERE ECONOMIC COSTS IF OXY IS UNABLE TO DEVELOP OR**
26 **PROPERLY MAINTAIN OIL WELLS AND RELATED PRODUCTION**
27 **INFRASTRUCTURE?**

28 A. Yes. Oxy will lose significant revenue and income if it cannot efficiently develop these
29 fields or maintain existing wells. Lost production does not just harm Oxy, but also has

1 negative impacts for property owners entitled to royalties from Oxy's wells. There are also
2 both direct and indirect revenue impacts for the State of Texas, as impairing oil and gas
3 development deprives the state of additional taxes and has a negative overall impact on
4 jobs and economic development related to the oil and gas industry.

5 While it is difficult to quantify an exact amount of economic loss, in this area, a single
6 productive well that cannot be developed or would have to be shut in because of a
7 transmission line (and where the oil cannot otherwise be produced) would result in lost
8 production of approximately ***[REDACTED]*** barrels of oil per day. At current oil prices, such
9 a loss would mean ***[REDACTED]*** in reduced revenue for Oxy over the course of a
10 year, which is even more substantial when considered over the life of a well that could
11 produce for over ***[REDACTED]*** years. Each well that is not drilled or cannot be efficiently
12 worked due to the transmission line also means fewer taxes paid to the State of Texas,
13 reduced royalties for the landowners, and a reduction in economic activity related to oil
14 drilling and production.

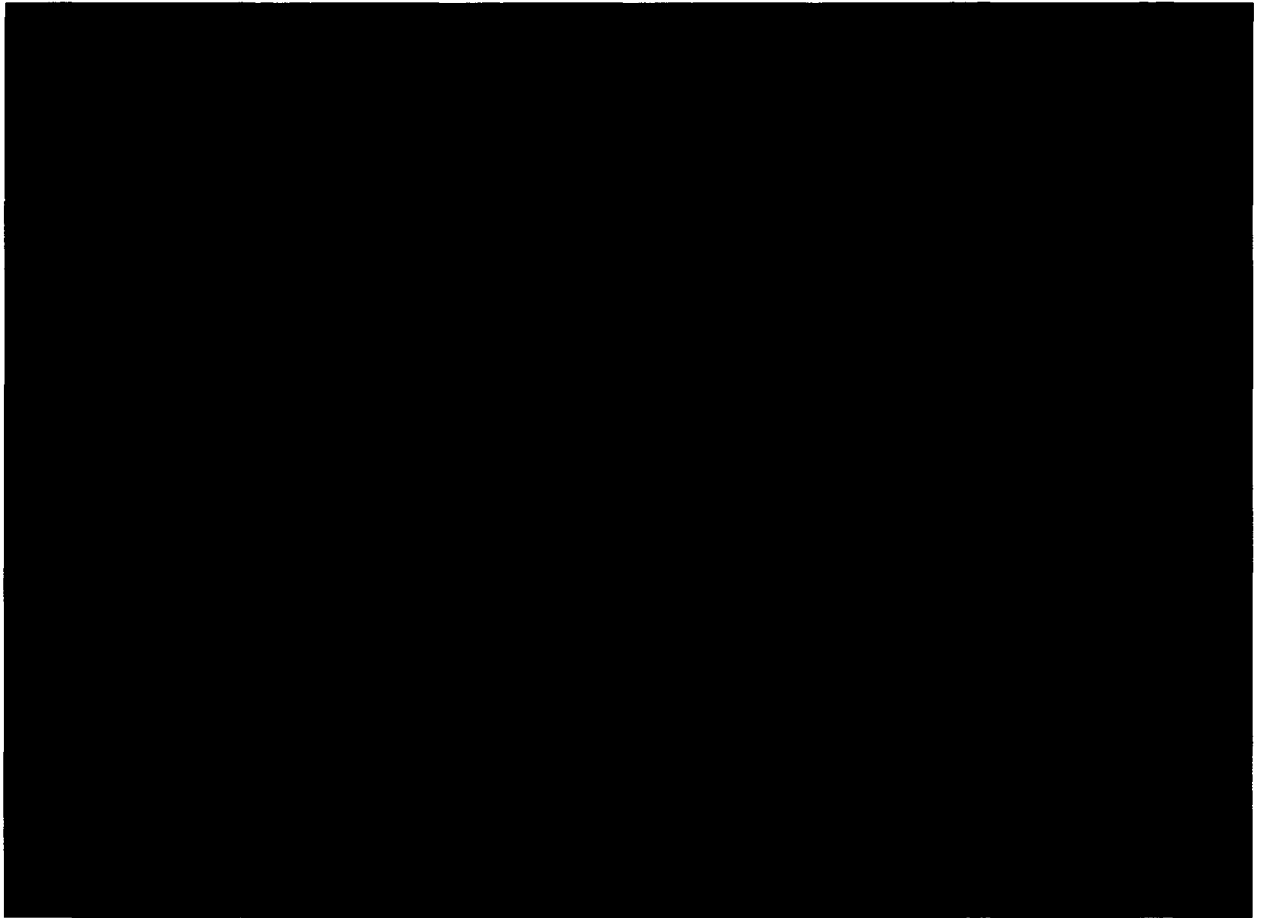
15 **IV. POTENTIAL IMPACTS TO OXY'S HONEY BADGER**
16 **PRODUCTION AREA ALONG LINKS D1 AND E1**

17 **Q. PLEASE DESCRIBE OXY'S HONEY BADGER PRODUCTION AREA.**

18 A. Oxy's Honey Badger production area is a rapidly expanding unconventional oil recovery
19 operation located on a large set of contiguous leases near Interstate 10 in the southeastern
20 corner of the study area. Proposed links C1, D1, E1, and F1 would cross that production
21 area. Figure AM-1 is an excerpt from Exhibit AM-2 that shows these proposed links
22 overlaid on Oxy's Honey Badger production area (Oxy leases in yellow):

1 **Figure AM-1: Oxy's Honey Badger Production Area**

2 ***



3 ***

4
5 **Q. WHAT ARE OXY'S ROUTING PREFERENCES WITH RESPECT TO THE**
6 **HONEY BADGER PRODUCTION AREA?**

7 A. Oxy strongly opposes any route that crosses the Honey Badger production area along links
8 D1 or E1⁵ because those links would cut diagonally across leases that Oxy is actively
9 developing and would significantly impede Oxy's operations in the area. Constructing a
10 transmission line along those links would disproportionately harm Oxy's oil and gas
11 operations.

⁵ This includes routes 18, 20, 21, 22, and 25.

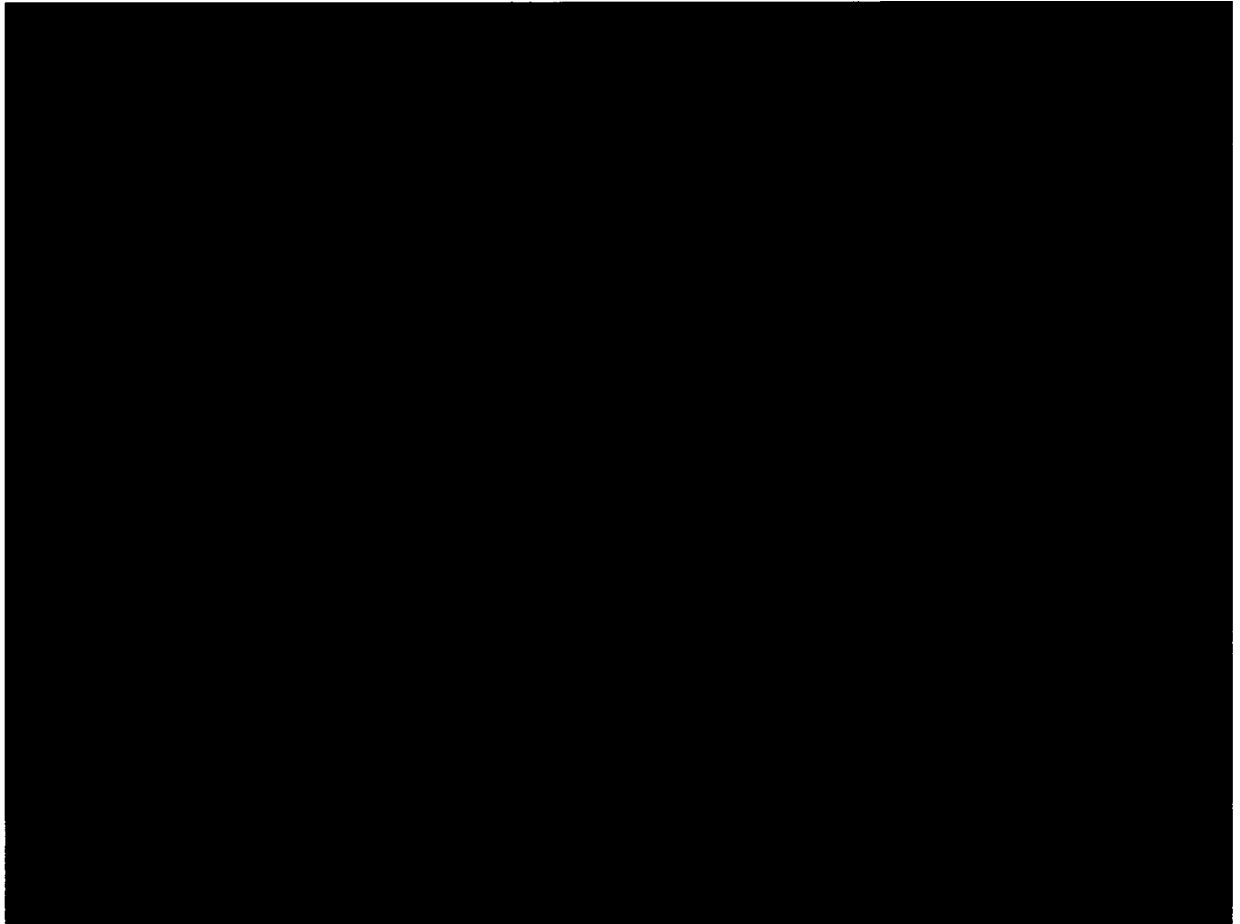
1 Although Oxy would prefer that this project avoid the Honey Badger production area
2 altogether, Oxy has determined that it could effectively mitigate the impact of links C1 and
3 F1 on its operations, and could agree to a route that includes those links.

4 **V. IMPACTS TO OXY'S Red Bull PRODUCTION AREA**

5 **Q. PLEASE DESCRIBE OXY'S RED BULL PRODUCTION AREA.**

6 A. Oxy's Red Bull production area is a rapidly expanding unconventional oil recovery
7 operation located on a large set of contiguous leases located to the north and east of the
8 Solstice Switching Station. Proposed links T and X would cross that production area.
9 Figure AM-2 is an excerpt from Exhibit AM-2 that shows these proposed links overlaid on
10 Oxy's Red Bull production area (Oxy leases in yellow):

Figure AM-2: Oxy's Red Bull Production Area



Q. WHAT ARE OXY'S ROUTING PREFERENCES WITH RESPECT TO THE RED BULL PRODUCTION AREA?

A. Oxy strongly opposes any route that follows link T through the Red Bull production area⁶ because that link cuts diagonally across leases that Oxy is actively developing and would significantly impede Oxy's operations in the area. Constructing a transmission line along link T would disproportionately harm Oxy's oil and gas operations.

⁶ This includes routes 8, 9, and 11.

1 While link X also crosses the Red Bull production area, Oxy has determined that it could
2 effectively mitigate the impact of link X on its operations. Accordingly, Oxy could accept
3 a route that includes link X, including AEP/LCRA-TSC's suggested route 24.

4 VI. SUMMARY OF OXY'S ROUTING PREFERENCES

5 **Q. WHICH OF THE PROPOSED LINKS IN THE APPLICATION ARE**
6 **PARTICULARLY PROBLEMATIC FOR OXY'S OIL & GAS OPERATIONS?**

7 A. Oxy's operations would be harmed the most by proposed links D1, E1 or T. Building the
8 line along these links would have significant financial consequences not only for Oxy, but
9 also for AEP and LCRA-TSC (and, ultimately, Texas ratepayers) due to the costs that
10 would be required to condemn oil and gas interests. Additionally, as described above,
11 conducting oil and gas operations in close proximity to a transmission line is dangerous,
12 and Oxy is actively working and expanding its operations near those links.

13 **Q. PLEASE DESCRIBE OXY'S PREFERENCES FOR ROUTING THIS PROPOSED**
14 **TRANSMISSION LINE.**

15 A. Oxy opposes all routes that use one or more of proposed links D1, E1, or T because those
16 links disproportionately harm Oxy by interfering with its rapidly expanding operations in
17 the Honey Badger or Red Bull production areas.⁷ However, Oxy is willing to work with
18 AEP, LCRA-TSC, and the Commission to develop a route that does not unduly burden
19 Oxy or create safety concerns for Oxy, AEP, or LCRA-TSC personnel.

20 Oxy is willing to accept the line along AEP and LCRA-TSC's recommended route 24, or
21 any other route that does not involve links D1, E1, or T.⁸ While any route that the
22 Commission selects will impact Oxy's operations in the study area, Oxy has determined
23 that it could effectively mitigate the impact of any proposed link other than links D1, E1,
24 or T.

⁷ Oxy strongly opposes routes 8, 9, 11, 18, 20, 21, 22, and 25.

⁸ Oxy is willing to accept any of routes 1-7, 10, 12-17, 19, 23, and 24.

VII. CONCLUSION

1

2 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

3 **A.** Yes, it does.

**CONSOLIDATED SOAH DOCKET NO. 473-19-1265
CONSOLIDATED DOCKET NO. 48785**

JOINT REPORT AND APPLICATION OF ONCOR ELECTRIC DELIVERY COMPANY LLC, AEP TEXAS INC., AND LCRA TRANSMISSION SERVICES CORPORATION TO AMEND THEIR CERTIFICATES OF CONVENIENCE AND NECESSITY FOR 345-KV TRANSMISSION LINES IN PECOS, REEVES, AND WARD COUNTIES, TEXAS (SAND LAKE TO SOLSTICE AND BAKERSFIELD TO SOLSTICE)	§ § § § § § § § § §	BEFORE THE STATE OFFICE OF ADMINISTRATIVE HEARINGS
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AFFIDAVIT OF ALBERT MENDOZA

STATE OF TEXAS)
)
COUNTY OF HARRIS)

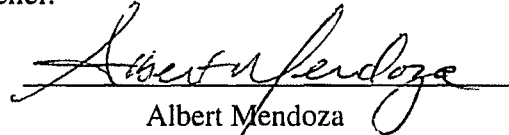
BEFORE ME, the undersigned authority, on this day personally appeared Albert Mendoza, Manager, Energy for Occidental Energy Ventures LLC ("OEV"), a subsidiary of Occidental Petroleum Corporation, who states, under penalty of perjury, that to the best of his knowledge and belief, the following statements and information are true and correct:

1. My name is Albert Mendoza. I am over eighteen years of age, am of sound mind and competent to make this Affidavit. I have personal knowledge of every statement contained in the Affidavit, and every statement contained herein is true and correct and based on my own personal knowledge.

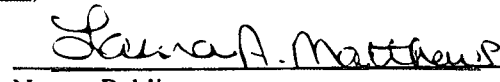
2. I am Manager, Energy for OEV, an affiliate of Occidental Permian Ltd., Oxy Delaware Basin, LLC, Oxy USA, Inc., Oxy USA WTP LP, Houndstooth Resources, LLC, and Occidental West Texas Overthrust, Inc. OEV has responsibility for coordinating energy supply for those affiliates. As such, my job responsibilities include managing counsel representing those companies in regulatory matters and related litigation, including regulatory matters before the Public Utility Commission of Texas. Specifically as it relates to the subject case, my job responsibilities include providing testimony regarding the subject matter of the subject case and participating in proceedings associated with Public Utility Commission of Texas Consolidated Docket No. 48785.

3. I make this Affidavit in support of my testimony on behalf of Occidental Permian Ltd., Oxy Delaware Basin, LLC, Oxy USA, Inc., Oxy USA WTP LP, Houndstooth Resources, LLC, and Occidental West Texas Overthrust, Inc. Attached hereto and made a part hereof for all purposes is my Direct Testimony and Exhibits, which have been prepared in written form for introduction into evidence in Consolidated PUC Docket No. 48785.

4. I hereby swear and affirm that my answers contained in the testimony are true and correct to the best of my knowledge, information and belief.


Albert Mendoza

SUBSCRIBED AND SWORN TO before me by Albert Mendoza, Manager, Energy for Occidental Energy Ventures LLC ("OEV"), an affiliate of Occidental Permian Ltd., Oxy Delaware Basin, LLC, Oxy USA, Inc., Oxy USA WTP LP, Houndstooth Resources, LLC, and Occidental West Texas Overthrust, Inc., this 10th day of JANUARY, 2019.


Notary Public

My commission expires: October 28, 2020

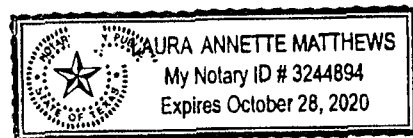


EXHIBIT AM-1

Affected Oxy Properties in the Study Area, by Tract Number and Link

Tracts Owned or Leased by Oxy

Tract Nos.	
B1-008	Q-004
C1-007	Q-005
C1-008	Q-008
C1-009	R-011
C1-010	R-013
D1-005	R-016
D1-006	R-017
D1-007	S1-001
D1-008	S1-003
D1-010	T-011
D1-011	T-019
D1-013	T-021
D1-014	T-023
D1-017	T-027
D1-018	T-029
D1-021	U-004
F1-001	U-006
F1-002	U-007
F1-004	X-004
I-007	X-005
J2-005	X-006
N-002	X-008
N-005	X-009

Links that Impact Oxy Properties

B1, C1, D1, E1, F1, I, J2, N, Q, R, S1, T, U, and X

EXHIBIT AM-2 (HSPM): Master Map of Oxy Operations and Placement of Bakersfield to Solstice Transmission Line Project

